Federal Professional Services Market

Jim Kerrigan
Vice President
INPUT, Inc.

Overview

- Market Environment
- Market Analysis and Forecast
- Agency Perceptions
- Vendor Perceptions
- Recommendations

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Federal Market Pressures

- Improve productivity
- Technical staff shortage
- Budget deficit
- Contracting-out bias
- GSA delegation requirements

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Competitive Forces

- Set-asides for 8(a) or small businesses
- New players in the market
  - Aerospace firms
  - Big 6 accounting firms
  - Specialized niche firms

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Top PS Vendors, FY1989

Vendor	Rank
Computer Sciences Corp.	1
Unisys	2
Black & Decker	3
Martin Marietta	4
Grumman Data Systems	5

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Agency PS Budgets—Software Development

$ Millions		
1990E	1991F	Agency
301	320	Energy
334	404	GSA
440	510	NASA

E = estimated F = forecast

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Agency PS Budgets—Software Development

$ Millions		
1990E	1991F	Agency
424	392	Air Force
429	461	Navy
259	323	Army

E = estimated F = forecast

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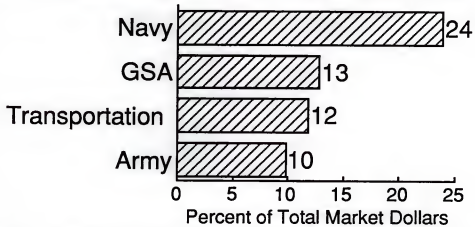
Top Federal Government Professional Services Users



Source: Ziff-Davis Pinpoint, 1989, GFY 1988

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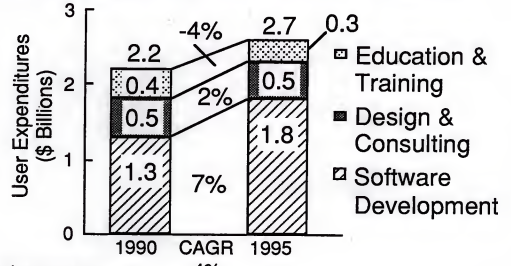
Professional Services Market



Numbers may not add due to rounding

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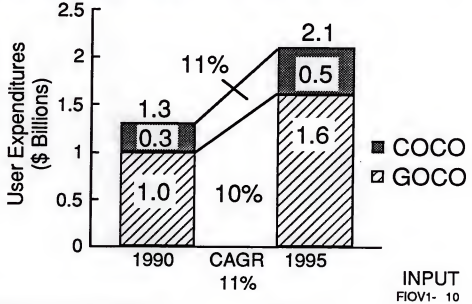
Systems Operations Market



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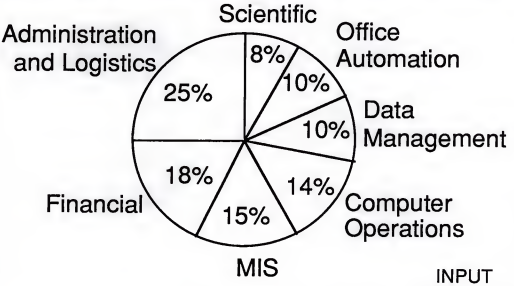
Civil Agencies' Application Areas



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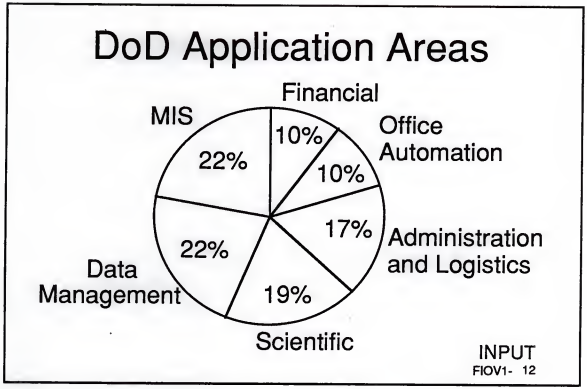

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Agencies' Software Requirements

- Portable
- Engineering technologies
- High-level development tools
- Analytic tools

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Agency Use of Artificial Intelligence

- Expert systems for software development and decision support
- Training
- Prototype systems
- Information systems management

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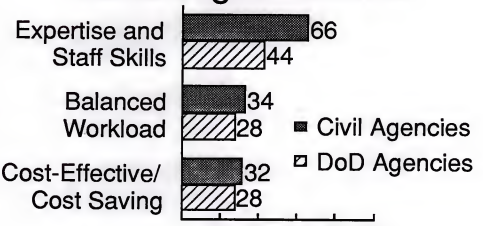
Agency Views of PS Advantages/Benefits



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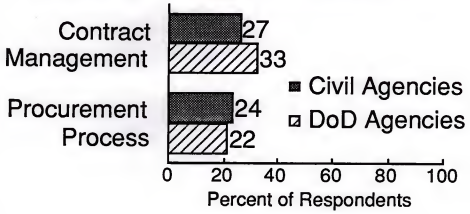
Agency Views of PS Disadvantages/Liabilities



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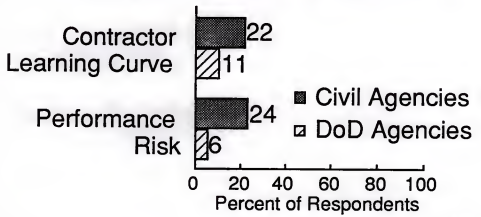
Agency Views of PS Disadvantages/Liabilities



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Agency Selection Criteria

Selection Criteria	Ranking
Proposed technical solution	1
Vendor reputation	2
Staff experience	3
Cost	4
Project management	5

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Agency PS Vendor Preference

Vendor/Organizational Type	Civil Agencies %
Mainframe manufacturer	16
PS company	55
Not-for-profit	9
Software products vendors	20

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Agency PS Vendor Preference

Vendor/Organizational Type	Civil Agencies %
Mainframe manufacturer	15
PS company	69
Not-for-profit	8
Software products vendors	8

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Preference for PS Contract Type

Preferred Contract Type	Vendors (%)	Agencies (%)
Cost-plus/cost-plus-incentive-fee	23	36
Fixed-price	47	30
Mix	23	24
Other	7	10

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Basic Ordering Agreements (BOAs)

Change in BOA Use	% of Respondents
Increasing	67
Decreasing	17
Remaining the same	8
Little experience	8

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Agency Conversion Plans

Planned Conversion	Civil Agencies (%)
From contractor to in-house staff	24
From in-house staff to contractor	51
No conversion plans	25
Total	100

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Agency Conversion Plans

Planned Conversion	DoD Agencies (%)
From contractor to in-house staff	30
From in-house staff to contractor	60
No conversion plans	10
Total	100

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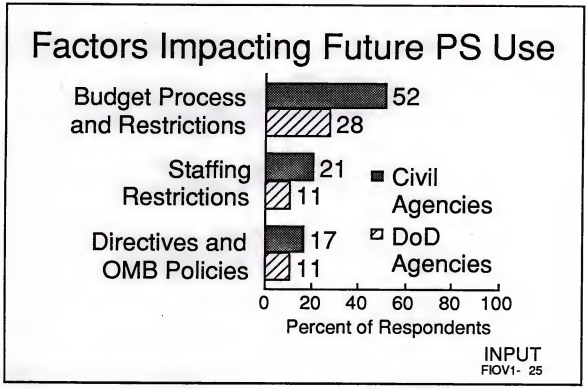

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Technological Factors Affecting PS Spending (Ranking)

Factor	Civil Agencies
Evolution in use of personal computers	1
Developments in software development and maintenance	2

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Technological Factors Affecting PS Spending (Ranking)

Factor	Civil Agencies
Improvements in end-user capabilities	3
Changes in micro-computer architecture	4
Proliferation of LANs	5

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Technological Factors Affecting PS Spending (Ranking)

Factor	DoD Agencies
Evolution in use of personal computers	1
Changes in micro-computer architecture	2
Proliferation of LANs	3

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Technological Factors Affecting PS Spending (Ranking)

Factor	DoD Agencies
Developments in software development and maintenance	4
Improvements in end-user capabilities	5

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Agency Satisfaction with PS Vendors (Ratings*)

Quality	Civil	DoD	Vendor
Delivery schedule	2.8	3.3	2.9
Cost	2.9	3.8	3.2
Project management	2.9	3.4	3.1
Development visibility	3.1	3.6	3.1

*1 = lowest, 5 = highest

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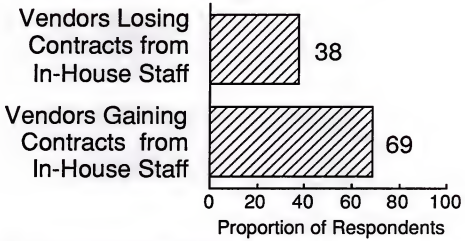
Staff Competition



Note: Total exceeds 100% because the results were not mutually exclusive.

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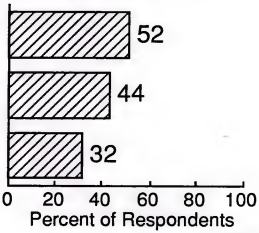
Vendor Views of PS Advantages/Benefits

1. Cost-Effective
2. Expertise and Special Skills
3. Balanced Workload



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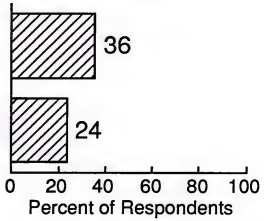
Vendor Views of PS Disadvantages/Liabilities

1. Procurement Process
2. Dependence on Contractor



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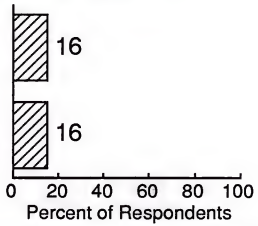
Vendor Views of PS Disadvantage/Liabilities

3. Contract Management
4. Contractor Learning Curve



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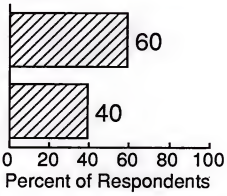
Factors Contributing to Satisfactorily Performed Contracts

1. Understanding of Client Needs
2. Client/Vendor Communications



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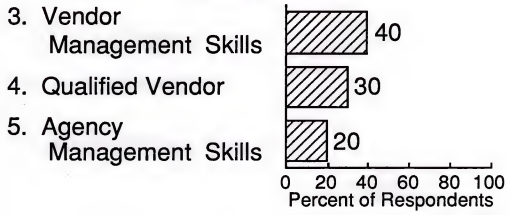
Factors Contributing to Satisfactorily Performed Contracts



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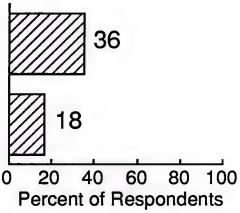
Factors Contributing to Poorly Performed Contracts

1. Poorly Defined Requirements
2. Poor Vendor Management Skills



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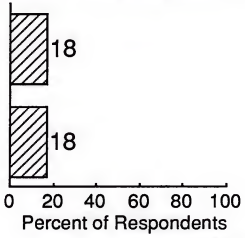
Factors Contributing to Poorly Performed Contracts

3. Cost Overruns
4. Bid Process Favors Low Bidders



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Market Differences—Federal

Federal Market	Rank
Greater price sensitivity	1
Complex acquisition process	2
Wider range of evaluation criteria	3

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Market Differences—Federal

Federal Market	Rank
Lengthy phased development cycle	4
Subject to greater legal and economic constraints	5

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Market Differences—Commercial

Commercial Market	Rank
Less price sensitivity	1
Simpler purchasing procedures	2
Narrower basis for award	3

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Market Differences—Commercial

Commercial Market	Rank
Shorter-term evolution	4
Less-rigid legal and economic constraints	5

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Vendor Ranking—Products and Services

Products/Services	Rank
Software development	1
Consulting	2
Project management	3
Financial systems	4
Support	5

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Ranking of Factors Affecting Future PS Spending

Factor	Rank	Effect
Budget changes	1	Negative
Gov't personnel availability	2	Positive

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Ranking of Factors Affecting Future PS Spending

Factor	Rank	Effect
Regulatory policy changes	3	Positive
Price	4	Negative

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Ranking of Industry Trends Affecting Revenue

Industry Trends	Rank
New technology	1
Industry standardization efforts	2
Increased competition due to CICA	3
Consolidation of contracts	4

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Impact of Technology on PS Vendors

Impact	% of Responses
Acquire more technical expertise	57
Increase responsiveness	43

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Impact of Technology on PS Vendors

Impact	% of Responses
Increase programmer productivity	14
Impacts cost	14

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Vendor Qualification in Ada

Status	% of Responses
Vendors currently qualified in Ada	67
Vendors planning to become qualified	19

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Vendor Qualification in Ada

Status	% of Responses
Vendors with no current plans for Ada	14
Total	100

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Vendor Ranking of Technological Factors

Factor	Rank
Increase in optical disk storage capabilities	1
Developments in artificial intelligence	2
Standardization efforts	3

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Vendor Ranking of Technological Factors

Factor	Rank
Developments in interface capabilities	4
Increase in use of supercomputers	5

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Vendor Ranking of Technological Factors

Factor	Rank
Telecommunications developments	6
Increased use of fiber optics	7

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Civil Agencies' Suggestions

Suggestions	Rank
Increase cooperation and responsiveness to agency needs	1
Increase experience of staff	2

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Civil Agencies' Suggestions

Suggestions	Rank
Increase adherence to agency pricing policy	3
Increase management skills	4
Increase availability of off-the-shelf software	5

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Defense Agencies' Suggestions

Suggestions	Rank
Increase availability of integrated services	1
Increase awareness of DoD standards	2
Increase use of 4th-gen. tools for development	3

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Defense Agencies' Suggestions

Suggestions	Rank
Increase work force's knowledge and ability	4
Increase awareness of agency requirements	5

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Recommendations

- Maximize pricing strategies
- Comply with federal standards
- Vertically penetrate agencies
- Maintain positive reputation

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Recommendations

- Direct marketing efforts to reflect political emphasis on programs
- Capitalize on specialized expertise
- Target markets

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